



FIRST

ANNUAL REPORT

OF THE

GENERAL ELECTRIC COMPANY.

JANUARY 31, 1893.

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BOARD OF DIRECTORS.

F. L. AMES,
C. A. COFFIN,
T. JEFFERSON COOLIDGE, JR.,
C. H. COSTER,
THOMAS A. EDISON,
EUGENE GRIFFIN,
F. S. HASTINGS,
HENRY L. HIGGINSON,
D. O. MILLS,
J. PIERPONT MORGAN,
H. McK. TWOMBLY.

APRIL 11th, 1893.

TO THE STOCKHOLDERS OF THE

GENERAL ELECTRIC COMPANY :

The General Electric Company was incorporated April 15th, 1892, and began active business on the first day of June, 1892; so that the report presented by your Directors, at this meeting of stockholders, covers a period of eight months ending January 31st, 1893.

As you know, the General Electric Company acquired in exchange for its stock practically all the capital stock of the Edison General Electric Company, of the Thomson-Houston Electric Company and of the Thomson-Houston International Electric Company. These three corporations, referred to hereafter in this report as the underlying companies, still retain their independent corporate existence. The first two continue their manufacturing business as before, the General Electric Company purchasing and distributing the chief part of the apparatus manufactured by them. The various selling and many other departments of the Edison General and Thomson-Houston companies have been gradually merged into corresponding organizations of your Company.

The difficulties inherent in such a reorganization were many and serious, and we feel that the stockholders are to be congratulated that, largely because of the zeal and hearty co-operation of the former officers and employes of the Edison General and Thomson-Houston Companies, it has been carried through to a complete and successful issue.

LOCAL LIGHTING AND RAILWAY COMPANIES.

While your Company has about 6,000 customers included in the different departments of its business, the interesting and important development is in the direction of local lighting and railway enterprises.

The following information, with respect to local illuminating and electric street railway companies using your apparatus, will be of interest to the stockholders.

LIGHTING COMPANIES.

The total number of such central station companies using Edison and Thomson-Houston apparatus is 1,277, supplying about 2,500,000 incandescent and about 110,000 arc lamps.

The growth of these companies has been phenomenal, and it is very satisfactory to note that those which have been established longest are making the most rapid increase in size of plant and volume of business.

During the past year there has been a very marked appreciation in the value of the securities of local companies, especially in the larger cities, testifying to the increased confidence of investors in such properties.

RAILWAY COMPANIES.

	Feb. 1, 1891	1892	1893
Total number of roads operating and under contract	151	214	435
Total number of cars in actual operation	1,578	2,790	8,386
Number of miles of road in actual operation	1,252	2,315	4,927

During the past eight months there has been a notable increase in the size of individual machines manufactured at the different factories, as well as a large increase in the total factory output.

On February 1st, 1892, the largest power-generator manufactured was of 275 horse-power. Machines of 2,000 horse-power each are now being manufactured by your Company, seven of which are already sold for early delivery. The largest lighting generators in use February 1st, 1892, were capable of supplying only 2,000 incandescent lights each. There are now being constructed generators of the direct-coupled type with a capacity of 12,000 incandescent lights each. Many local lighting stations are being equipped with steam engines directly coupled to such machines, giving a capacity of about 25,000 incandescent lights from each engine.

Of the largest direct-coupled lighting generators which were manufactured a year ago, there were shipped during the year 1892 an aggregate of 7,000 horse-power. Of such sizes now being constructed there are at present on order 8,000 horse-power.

Machines for power purposes (principally railway) aggregating 40,000 horse-power, have been shipped during the past year. There are now being manufactured, on order, generators aggregating 37,000 horse-power, or practically as much as the total shipments for the past year.

Most satisfactory progress has been made in the development of apparatus for mining purposes, particularly of locomotives for haulage work in coal mines. Thirty of such locomotives, with a very large amount of other mining material, are now under construction at the works.

The efforts of many of your best engineers have been directed for some time to the production of electric locomotives for which we now have numerous orders for haulage and general railway purposes. Two locomotives of 1,600 horse-power each, ordered by one of the principal trunk lines, are now under construction and nearly ready for use. The equipment of the elevated electric railway at the World's Fair, six miles in length, and which is now nearly completed, is being supplied from the Schenectady factory, and it is hoped will be in operation at the opening of the Fair.

LICENSEES.

The relations between your Company and its various licensees, and between it and those of the underlying companies, are of the most satisfactory character. Your Directors appreciate that the interests of the Company are closely connected with the welfare of its licensees, and there is a corresponding recognition on the licensees' part that the cordial co-operation of your Company is essential to the fullest development of their business.

No effort will be spared to secure from the recent patent decisions in your favor the greatest possible benefit to these licensees. The public, through them, will be distinctly benefited, because of the concentration of local illuminating and power business in the licensed central stations equipped for supplying light and power at minimum rates.

The prices at which apparatus and lamps are now furnished by the General Electric Company, for use of such stations, are in many instances lower than those which prevailed prior to sustaining the lamp patent, while the quality and efficiency of the apparatus are largely increased. Thus the licensees are enabled to cheapen their production and their prosperity is greatly enhanced — a prosperity in which your Company has a direct and permanent share.

PATENTS.

The patent situation is encouraging and promising. The decision of the highest Court sustaining the fundamental incandescent lamp patent, which decision has been followed by many other tribunals, has vested in your Company the right to the incandescent lamp business of the United States, a result of great value to the Company.

The strenuous efforts made by your competitors to develop an incandescent lamp which will not infringe this patent have been thus far wholly without success, and there is no reason to believe that any different results will be achieved in the future.

The decisions heretofore rendered in favor of the Thomson-Houston and Brush companies, covering the double carbon arc lamp, automatic current regulation and electric storage, are of very great value to your Company.

Although it is well known that the patented inventions of Edison, Thomson, Brush, Van Depoele, Rice, Sprague, Bentley, Knight and other inventors now or heretofore connected with your organization are the basis of substantially the entire arts of electric lighting, electric railways and electric motive power now in general use, the situation up to the date of the organization of the General Electric Company was not favorable to the best development of business under these inventions.

Suits against infringers are now in active progress on many important patents, other than those already sustained by the Courts, covering essential features in electric railway, lighting, and power apparatus. These suits will be pushed as vigorously as possible.

In dealing with the numerous past infringers, your Directors are of the opinion that the substantial interests of the shareholders can be protected without a harsh or offensive exercise of your rights, and in such way as to greatly benefit the Company and to satisfy consumers and the public of its desire to act in an entirely fair and liberal spirit.

FINANCIAL.

There are annexed to this report the Company's condensed balance sheet and statement of profit and loss as of January 31st, 1893, showing that in the eight months during which your Company has been in operation its profits amount to \$1,024,954.59 in excess of three quarterly dividends on the common and one semi-annual dividend on the preferred stock.

In order that the stockholders may understand the position of the Company, the following explanation as to the general character of the items in the balance sheet is submitted.

INVESTMENT ACCOUNTS.

Under this head will be found the assets now represented by the stocks of the three underlying companies, substantially all of which have been acquired by your Company.

Details in regard to these companies will be found on page 8 from which it will be noticed that the basis upon which they were acquired by your Company represents a cost of about \$8,000,000 for all their patents, other valuable rights, licenses and other contracts. This is after writing down the assets they still own — manufacturing plants, factory inventories, etc. — to conservative valuations.

The transactions of your Company are to a considerable degree with local companies working under contracts licensing them to use the patents, about two thousand in number, under which your Company operates. Your Company is now supplying apparatus to about thirteen hundred local companies, the royalties from which run from \$1,500,000 to \$2,000,000 per year. It is believed that the royalties will be greatly increased in the future, so that \$8,000,000 would appear to be far within the actual value of the patents, contracts, etc., which are represented thereby.

Your Company has to a large degree acquired the business, other than manufacturing, of the Thomson-Houston and Edison General Companies, and has liquidated a large part of their liabilities. This course will be continued during the present year.

The preferred stock of the United Electric Securities Company has been sold since the close of the fiscal year at a price in excess of the value at which it appears in the balance sheet. The common stock of the same company — \$825,500 out of a total issue of \$1,000,000 — is taken in the balance sheet at par. The company is making large profits and paying regular quarterly dividends.

The stock of the Canadian General Electric Company, a manufacturing and selling company controlling the Edison and Thomson-Houston patents in Canada, is taken at par. Its sale at an early date is expected, it being now under option to a Canadian syndicate at above par.

The stocks of the Fort Wayne Electric Company and Northwest General Electric Company are paying eight per cent dividends on the value at which they stand in the balance sheet.

Stocks of "Miscellaneous Companies" carried at \$71,566, comprise holdings in various corporations not considered local or licensee companies.

OTHER ASSETS.

With reference to these items it may be stated that in the judgment of your Board they are taken at safe figures. They consist of stocks, bonds, cash, notes and accounts receivable, merchandise on hand and work in progress; and it will be noticed that they amount to \$29,559,600.61 as against total current liabilities of \$5,246,219.

The stocks of local companies, which appear in the balance sheet at \$5,772,622.80 (par \$11,362,011.65) have been valued carefully with the intent to carry them at a figure which can easily be obtained for them.* As a further margin in this respect, stocks amounting at par to \$1,301,940 (most of which accrued to this Company under license contracts with recently organized companies) are taken in the balance sheet at the nominal value of \$1.00 for each block, although there is reason to believe that within a moderate time these will develop a substantial earning capacity.

The bonds are almost entirely those of local companies. They are nearly all first mortgage bonds, payable in gold, and stand in the balance sheet at about seventy per cent of their face value. All of these bonds excepting \$139,000 at par value — \$251,088.07 book value — are regularly paying their interest, and the comparatively small amount in default is carried at prices lower than it is believed will be realized.

Some of the bonds carried in the balance sheet have been sold since the close of the fiscal year at prices in excess of their book value, and the rest will be sold from time to time through

*Included in this amount are shares of the Edison Electric Illuminating Companies of New York, Boston, Brooklyn, Philadelphia, and Chicago of a par value of \$2,625,300. The present market value of these stocks is in excess of \$3,400,000, although taken in the balance sheet at \$3,024,695. Besides these there have been acquired, in the usual course of business, shares of one hundred and thirty-seven other companies, a large part of which will probably be disposed of through the ordinary channels.

the United Electric Securities Company and other channels as heretofore.

The amount now accruing to your Company as dividends, (exclusive of those received on the stocks of the underlying companies) and as interest, from its holdings of stocks and bonds shown in the balance sheet, exceeds the amount required to pay interest on your Company's \$10,000,000 outstanding debenture bonds.

After careful examination, deductions have been made from the notes and accounts receivable to cover fully all bad and doubtful items.

The item "Inventories" represents all the Company's stock of apparatus, material, machinery, fixtures, etc., in the offices and storehouses of your Company's seven Districts, and includes the machinery, tools, and material in the various repair shops connected with such District Offices.

"Work In Progress" represents the actual cost to date of all labor, material, etc., on unfinished contracts now in course, which, when completed, will afford a considerable profit.

The cost of patents acquired by your Company during the eight months has been charged off as an operating expense.

CONTINGENT LIABILITIES.

Your Company makes a practice of endorsing and discounting some of the notes it takes from its customers. Such endorsed notes are not included in notes receivable in the balance sheet, where only those now held by your Company are taken into account. The outstanding notes receivable which had been endorsed and discounted on January 31st, 1893, amounted to \$3,787,312.69.

BY ORDER OF THE DIRECTORS:

C. A. COFFIN,

President.

UNDERLYING COMPANIES.

EDISON GENERAL ELECTRIC CO.

The cost of acquiring 149,699 shares of the capital stock of the Edison General Electric Company was.....	\$14,969,960 00	
Less net amount credited to that Company, after charging it with money advanced, and with an arbitrary amount of \$635,000 as a guarantee against its customers' notes and accounts transferred to the General Electric Co., and after crediting it with sundry assets taken over by this Company.....	6,336,691 54	
Making present cost, as shown on the Balance Sheet.....		\$8,633,268 46

This amount represents the following:

Manufacturing Plants, being the investment in lands, buildings, machinery and tools at Schenectady, N. Y., and Harrison, N. J.....	\$2,677,548 09	
Machinery and materials sold to U. S. Wire & Cable Co. but not yet paid for....	282,147 76	
* Schenectady and Harrison Factory Inventories.....	2,576,887 14	
Cash and Notes and Accounts Receivable.....	409,117 86	
Total	\$5,945,700 85	
Less Debt.....	1,551,660 71	4,394,040 14
Leaving.....		\$4,239,168 32

represented by Patents which have cost the Edison Company about \$2,000,000; and by holdings of the entire capital stocks of Edison underlying patent owning companies, under contracts with which all large Edison Licensees give to the Edison Company a percentage of their entire issue of stocks and bonds.

THOMSON-HOUSTON ELECTRIC CO.

The cost of acquiring 399,347 shares of the capital stock of the Thomson-Houston Electric Company was	\$18,381,970 00	
Less net amount credited to that Company, after charging it with money advanced, and with an arbitrary amount of \$1,000,000.00 as a guarantee against its customers' notes and accounts transferred to the General Electric Co., and after crediting it with sundry assets taken over by this Company.....	9,965,118 22	
Making present cost, as shown on the Balance Sheet.....		\$8,416,851 78

This amount represents the following:

Manufacturing Plant, being the investment in lands, buildings, machinery and tools at Lynn, Mass.....	\$1,240,066 77	
* Lynn Factory Inventory.....	2,263,347 59	
Cash and Notes and Accounts Receivable.....	428,126 91	
Raw copper.....	135,525 94	
Consignments.....	8,386 71	
Stocks of the Brush, Excelsior, Ft. Wayne and Schuyler Electric Companies, and stocks of other manufacturing and patent owning companies (par value \$7,312,980) carried at.....	\$4,013,420 11	
Stocks of the Central Thomson-Houston, Eastern Electric Construction, Northwest General Electric, Thomson-Houston Electric Light and Thomson-Houston Motor Companies (par value \$1,468,350) carried at.....	\$91,750 00	
	4,905,170 11	
Liquidation value, say.....	2,500,000 00	
	\$6,575,463 92	
Less Debt.....	1,547,964 21	5,027,499 71
Leaving.....		\$3,389,352 07

represented by patents, including Brush patents on double carbon arc lamps, storage batteries and patents on current regulation, all of which have been sustained in the U. S. Courts and by about 1,400 other patents owned by the Thomson-Houston Co. and manufacturing companies controlled by it.

* Raw materials, materials in process of manufacture with labor thereon added and finished apparatus in stock, ascertained by actual inventories figured on liquidating values, *i. e.*, raw material at *present* cost prices, apparatus finished and in process of manufacture at cost of labor and material and obsolete apparatus at "scrap" value.

THOMSON-HOUSTON INTERNATIONAL ELECTRIC CO.

The entire capital stock of the Thomson-Houston International Electric Co.
was acquired at a cost, as shown on the Balance Sheet, of..... \$1,212,000

This amount represents the following:

Stocks of Other Companies.....	\$13,139 00	
Cash, and Notes and Accounts Receivable.....	468,076 02	
Charges against its Branch Offices.....	468,944 69	
Inventory and Consignments.....	39,049 98	
	<u>\$889,209 69</u>	
Less Debt.....	307,953 32	681,256 37
Leaving		<u>\$530,743 63</u>

represented by the rights in foreign countries under patents of Thomson, Rice and others, including contracts for delivery of \$100,000 stock of the Canadian General Electric Company, and substantial interests in other manufacturing and exploiting organizations in foreign countries.

CONDENSED BALANCE SHEET—JANUARY 31st, 1893.

ASSETS.

INVESTMENT ACCOUNTS:

STOCKS OF UNDERLYING COMPANIES:

Thomson-Houston Electric Co.....	\$8,416,851.78	
Edison General Electric Co.....	8,633,208.46	
Thomson-Houston International Electric Co.	1,212,000.00	\$18,262,060.24*

REAL ESTATE:

Edison Building, N. Y. City.....	410,804.62	
Less Mortgage thereon	200,000.00	
	<u>210,804.62</u>	
Other Real Estate	87,922.12	298,726.74

STOCK OF UNITED ELECTRIC SECURITIES CO.:

Preferred (Par, \$454,300.)	408,870.00	
Common (Par, 825,500.)	825,500.00	1,234,370.00

STOCKS OF MANUFACTURING AND OTHER COS.:

Canadian Gen'l Elec. Co. (par, \$1,000,000.)	1,000,000.00	
Excelsior Electric Co. (par, 6,000.)	1,300.00	
Ft. Wayne Electric Co. (par, 704,700.)	352,350.00	
Northwest Gen'l Elec. Co. (par, 155,000.)	155,000.00	
Miscellaneous Companies (par, 481,033.)	71,566.00	1,580,216.00
		<u>\$21,375,372.98</u>

OTHER ASSETS:

STOCKS AND BONDS OF LOCAL COS.:

Stocks (par, \$11,362,011.65)	\$5,772,622.80	
Bonds (par, 4,858,380.00)	3,400,629.07	\$9,173,251.87

CASH

NOTES RECEIVABLE

ACCOUNTS RECEIVABLE

INVENTORIES

Less 10%

WORK IN PROGRESS

\$50,934,973.59

LIABILITIES.

CAPITAL STOCK:

Common	\$30,426,900.00
Preferred	4,236,900.00
	<u>\$34,663,800.00</u>

5% GOLD COUPON DEBENTURE BONDS, 10,000,000.00

OTHER LIABILITIES:

ACCRUED INTEREST ON DEBENTURE BONDS, \$83,333.32	
DIVIDENDS DECLARED BUT UNPAID..	608,538.00
NOTES AND ACCOUNTS PAYABLE	4,554,347.68

SURPLUS JANUARY 31st, 1893.....

\$50,934,973.59

* See Page 8.

STATEMENT OF PROFIT AND LOSS—JANUARY 31st, 1893.

EXPENSES.		EARNINGS.	
Interest and Discount.....	£89,513 42	Net profits from the business of the eight months, over and above all expenses, deductions for bad debts, etc.....	\$3,356,593 10
Interest on Debenture Bonds.....	152,917 17		
Dividends paid and dividends declared but not yet paid	1,971,056 50		
Patents, now charged off.....	118,151 42		
Surplus carried forward.....	1,024,954 59		
	<u>\$3,356,593 10</u>		<u>\$3,356,593 10</u>

E. & O. E.—April 11, 1893.

J. P. ORD, *Comptroller.*

COLLINS PRESS, BOSTON.
